P.O. Box 6222
Indianapolis, Indiana 46206
Telephone: 317/917-6222

Shipping/Overnight Address:
1802 Alonzo Watford Sr. Drive
Indianapolis, Indiana 46202

www.ncaa.org

VIA E-MAIL

MEMORANDUM

December 3, 2002

TO: NCAA Division I-A Commissioners.

FROM: Dennis L. Poppe
Managing Director for Baseball and Football.

SUBJECT: Status of Silicon Valley and Seattle Bowls.

The NCAA Football Certification Subcommittee met this morning to review the status of the Silicon Valley and Seattle Bowls with regard to the submission of their letters of credit.

As you are aware, during a November 20 telephone conference, the subcommittee established a deadline of Monday, December 2, for the submission of the letters of credit from the sponsoring agencies of these bowls. The letters of credit were not submitted; however, both bowl organizations indicated that they had secured a letter of intent from their lending organizations and the letters of credit would follow.

The subcommittee determined that it would accept the letters of intent if they were submitted to the NCAA national office no later than 5 p.m. Eastern time today, Tuesday, December 3. Further, the letters of credit must be submitted by 5 p.m. Eastern time Friday, December 6, in order for the bowls to retain their certified status.

The lending agencies for both sponsoring agencies submitted their letters of intent today. Therefore, the only issue remaining is the issuance of the letters of credit by the 5 p.m. Eastern time deadline this Friday, December 6. It is anticipated that the sponsoring agencies will submit the letters of credit by this deadline.

If you have questions, please contact Keith Martin or me.

DLP:lat

cc: NCAA Division I Football Certification Subcommittee
Selected NCAA Staff Members

SUPPLEMENT NO. 16
Ftbl Cert Subcom 2/02

I. LETTER OF CREDIT

- A Letter of Credit is a letter addressed by a bank and the responsibility of a seller, authorizing him to draw drafts to a stipulated amount under specified terms and undertaking conditionally or unconditionally to provide eventual payment for drafts. Currently, selected bowls are required to secure an irrevocable letter of credit guaranteeing the minimum revenues that will be distributed between the participating teams.

II. SURETY BOND

- A surety bond is a contract in which one party agrees to make good on a default or debt of another party when unforeseen circumstances cause delay or loss.

- A surety bond is a three-way agreement made between a surety, typically an insurance company; the principal, which is the company buying the bond; and a beneficiary, the party that may benefit from the bond.

- A claim can be made on a bond only when the company buying the bond has made every effort to pay a debt or complete a project.

- Surety companies require some background information for qualification. Applicants are evaluated individually, but some common elements include:

  - **Reputation:** What is the company's track record? Has it paid debts promptly in the past, and does it have the ability to meet its obligation?

  - **Management:** How experienced are the key people running the business?

  - **Thoroughness:** Are succession plans and buy/sell agreements in place? A business with a detailed future is less likely to default on a bond.

  - **Capital:** What is the organization's cash-flow outlook? Applicants should be prepared to open books from the past three to five years, showing assets, accounts receivable and payable, and cash flow.

- A bond is not the same as insurance. Insurance is a risk sharing device that expects losses based upon calculated probabilities. Though losses occur, bonds are written with the expectation that no losses will occur. A bond resembles a bank letter of credit. The surety is lending its credit to a person or organization.

The National Collegiate Athletic Association
January 25, 2002 KEM:cbr